

Message Text

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13

ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01

/181 W

----- 082632

R 190738Z MAY 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1582

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT POUCH

AMEMBASSY TOKYO

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FROM REO

EO 11652: NA

TAGS: ENRG, MU

SUBJ: STATUS OF BUY-BACK AND PARTICIPATION IN OMAN

1. VARIOUS TRADE JOURNALS HAVE REPORTED THAT OMAN IS ABOUT TO CONCLUDE BUY-BACK AGREEMENT WITH SHELL, OPERATING COMPANY OF PD(O) (OWNED 75 PERCENT BY SHELL AND 25 PERCENT BY GOVERNMENT OMAN), WHEREBY SHELL WILL BUY BACK OMANI PARTICIPATION CRUDE AT 83 PERCENT POSTED PRICE, OR DOLS 11.40.

2. EMBASSY MUSCAT HAS CONFIRMED THAT 93 PERCENT BUY-BACK AGREEMENT ALMOST CERTAIN, THOUGH NOT YET SIGNED. AGREEMENT
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WILL COVER FULL OMANI SHARE OF CRUDE UNDER 25 PERCENT PARTICIPATION

AGREEMENT SIGNED LAST DECEMBER (THAT IS TO INCLUDE 5 PERCENT CRUDE ENTITLEMENT PLUS BRIDGING PLUS PHASE-IN-CONCEPTS WHICH LARGELY HAVE GONE BY THE BOARDS, FOR A TOTAL OF 25 PERCENT OF OMAN'S 300,000 BPD PRODUCTION). FINAL FORM OF TIME LIMIT OR RENEGOTATION PERIOD NOT YET SET, ALTHOUGH BOTH OMAN GOVERNMENT AND SHELL OBVIOUSLY TRYING TO KEEP THEIR OPTIONS OPEN.

3. EMBASSY UNDERSTANDS PARTICIPATION CRUDE PURCHASE AGREEMENT CONCLUDED EARLIER THIS YEAR WITH JAPANESE C. ITOH GROUPS HAS FALLEN THROUGH, ALTHOUGH WE NOT SURE AGREEMENT FORMALLY TERMINATED. APPARENTLY ITH ITOH WILL NOT RPT NOT LIFT ANY MORE CU CRUDE AFTER MAY.

PROBLEM WAS PRICE, WITH ITOH DECIDING IT NO LONGER COULD AFFORD PAY FULL POSTED PRICE (PLUS, WE UNDERSTAND, TWO PERCENT.)

4. THERE ALSO HAVE BEEN SEVERAL RUMORS AFLOAT THAT OMAN MAY SEEK A REVISION OF PARTICIPATION AGREEMENT TO RAISE GOVERNMENT SHARE TO 60 PERCENT. AS NEARLY AS WE CAN TELL, THERE IS NO RPT NO FOUNDATION THESE STORIES AT PRESENT TIME. EMBASSY BELIEVES GOVERNMENT IS CONTENT FOR THE MOMENT WITH 25 PERCENT ARRANGEMENT, ALLOWING SHELL COPE WITH THE VARIOUS PRODUCTION AND MARKETING PROBLEMS.
GRIFFIN

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